



FOR IMMEDIATE RELEASE
Wednesday, November 12, 2008

*Office of the United States Attorney
District of Arizona*

For Information Contact Public Affairs
SANDY RAYNOR
Telephone: (602) 514-7625
Cell: (602) 525-2681

PARADISE VALLEY RESIDENT FOUND GUILTY OF FRAUD

PHOENIX - David Steven Goldfarb, 60, of Paradise Valley, Ariz., was found guilty by a federal jury in Phoenix on Monday of Conspiracy to Commit Mail Fraud and Mail Fraud. The case was tried before U.S. District Court Judge David G. Campbell between October 21 through November 10, 2008. Sentencing is set before Judge Campbell on February 9, 2009.

Goldfarb and co-defendants Richard Ross, Paul Woodcock and Milton Guenther owned and operated CORF Licensing Services, LP (CLS) and CORF Management Services, LP (CMS) from 1999 to May 2003. Investors contracted with CLS to set up a Comprehensive Outpatient Rehabilitation facility (CORF). A CORF is essentially a medical facility that provides healthcare rehabilitation services to patients in an outpatient setting.

The services CLS contracted to provide included facility site selection, facility lease negotiation, facility layout and design assistance, location of key qualified employees, preparation of policies and procedures manuals and assistance in obtaining certification as a Medicare participating provider. Investors paid large fees to the defendants between \$100,000 to \$165,000 per facility to obtain their services. From 1999 to May 2003, the defendants sold 338 contracts to investor/victims and collected over \$40,000,000 in investment fees.

Goldfarb and his co-defendants routinely placed ads in newspapers and magazines which represented that an investor could expect to make \$450,000 in net profit for their first year of operating a CORF. Goldfarb and his co-defendants also held monthly, and sometimes bi-monthly, sales seminars at a Scottsdale, Ariz. Country Club. During these sales seminars, Ross presented projected revenue numbers for owning and operating a CORF. Investors were told that each CORF could expect to collect over \$1,000,000 in cash for its first year of operation, and over \$1,400,000 in its second year.

By mid-2001, Goldfarb and his co-defendants became aware that their clients were not achieving the revenue figures that they were presenting in ads and sales seminars. In fact, the majority, if not all, of their clients were not making enough money to meet their monthly expenses. However, Goldfarb and his co-defendants continued to represent that owning a CORF would generate over \$1,000,000 of revenue in its first year. In addition, the defendants stated that their projected revenue numbers were "conservative," "worst case-scenario," and were based on existing operating clients of CLS.

Potential investors were also encouraged to talk to independent CORF owners and were referred to co-defendants James Bonebrake, Raymond Marshall, Brian Ongaro, Colin McHale and Michael Nibler. These individuals were paid substantial sums of money by CLS and represented to

-MORE-

investors that their CORFs were profitable and meeting the projections of CLS. These individuals failed to disclose that they were being paid by CLS and that their CORFs were not meeting the projections represented by Goldfarb and others.

Co-defendants Ross, Woodcock, Guenther, Bonebrake, Marshall, Ongaro and Nibler pleaded guilty to at least one count involving Mail Fraud. Ross, Bonebrake, Marshall, Ongaro and Nibler also cooperated with the prosecution by testifying on behalf of the government at trial. All of the co-defendants are scheduled to be sentenced by Judge Campbell in the upcoming months. Charges are still pending against McHale.

A conviction for each count Mail Fraud carries a maximum penalty of 20 years in federal prison, a \$250,000 fine or both. A conviction for Conspiracy to Commit Mail Fraud carries a maximum penalty of five years in prison, a \$250,000 fine or both.

This investigation was conducted by agents of the Internal Revenue Service, U.S. Postal Inspection Service and the Federal Bureau of Investigation. The prosecution was handled by Stephen W. Laramore and Raymond K. Woo, Assistant U.S. Attorneys, District of Arizona, Phoenix.

CASE NUMBER: CR-07-0260-PHX-DGC
RELEASE NUMBER: 2008-295(Goldfarb, et al)

#